

ASEAN Morning Bytes

Increasing spread of Covid-19 outside China is infecting investors sentiment



EM Space: Rising spread of Covid-19 weighs on sentiment

General Asia: Increasing spread of Covid-19 outside China is infecting investor sentiment, likely ending the trading week in Asia on a weaker note. Advanced releases today of G3 purchasing manager indexes (PMIs) for February will provide a sense of damage the disease is causing to these economies, while there is little on the economic calendar in Asia.

Malaysia: January CPI data is due today. Behind the consensus of a sharp rise in inflation to 1.7% YoY from 1.0% in December seems to be the low-base bounce in the transport component. Fuel prices play a key role here and the 20% fall in the global crude oil price in January speaks volumes about continued low transport inflation. This and weak demand due to the virus outbreak subjects the consensus forecast to downside risk (ING forecast 1%). With growth displacing inflation as the policy driver, we expect the central bank (BNM) to cut rates again at the next policy meeting in March.

Indonesia: Bank Indonesia (BI) cut policy rates on Thursday, opting to help give the economy a boost ahead of the impact from Covid-19. The central bank also lowered a threshold to help bolster bank lending activity as it lowered its growth outlook by 0.1 percentage point. Governor Warjiyo indicated that BI retained its accommodative stance and we expect further rate cuts in the

near term should the economic impact become more severe.

What to lookout for: G3 PMIs

- G3 purchasing manager indexes (21 January)
- Malaysia inflation (21 February)
- US existing home sales (21 February)